

Message Text

CONFIDENTIAL POSS DUPE

PAGE 01 STATE 008301

14

ORIGIN SS-25

INFO OCT-01 ISO-00 SSO-00 /026 R

DRAFTED BY EUR/CAN:JHROUSE,JR.:CLJ

APPROVED BY EUR-JGLOWENSTEIN

EUR/SOV-MGARRISON

E-MR. WOOD

S/S-MR. MOFFAT

----- 082240

R 132147Z JAN 76

FM SECSTATE WASHDC

TO AMEMBASSY OTTAWA

INFO AMEMBASSY MOSCOW

AMCONSUL TORONTO

C O N F I D E N T I A L STATE 008301

EXDIS

E.O. 11652: GDS

TAGS: EIND, EMIN, EINV, CA, UR

SUBJECT: SASKATCHEWAN POTASH TAKEOVER

1. OFFICIALS OF IDEAL BASIC INDUSTRIES LED BY JOHN LOVE (FORMER GOVERNOR OF COLORADO) CALLED ON UNDER SECRETARY ROBINSON JANUARY 12 TO DISCUSS IMPACT OF PLANNED PROVINCIAL POTASH TAKEOVER ON IDEAL'S SASKATCHEWAN POTASH MINE. THEY ALSO MET WITH DEPUTY ASSISTANT SECRETARY VINE. ASSISTANT SECRETARY ENDERS WAS PRESENT FOR PART OF VINE MEETING.

2. LOVE SAID THAT IDEAL'S SASKATCHEWAN MINE IS PROFITABLE VENTURE WITH FAVORABLE LONG-TERM PROSPECTS. COMPANY NOT ONLY IS ANXIOUS TO AVOID TAKEOVER BUT WOULD WANT TO STAY IN BUSINESS EVEN IF PROVINCE WERE TO ACQUIRE MAJOR SHARE OF INDUSTRY. IDEAL BELIEVED SOME POSSIBILITY EXISTED THAT PREMIER BLAKENEY MIGHT STILL ACCEPT FACE SAVING ARRANGEMENT WITH COMPANIES IN LIEU OF TAKEOVER (FOR EXAMPLE IF
CONFIDENTIAL
CONFIDENTIAL

PAGE 02 STATE 008301

INDUSTRY COURT ACTION OPPOSING RESERVE TAX WERE DROPPED),
AND POTASH INDUSTRY ASSOCIATION IS PREPARING NEW OFFER.

IDEAL WANTED TO KNOW WHAT LEVERAGE USG COULD BRING TO BEAR ON PROVINCE AND CANADA IN SUPPORT OF COMPANIES.

3. UNDER SECRETARY ROBINSON NOTED COMPANIES' NEGOTIATING POSITION WOULD BE STRENGTHENED IF THEY HAD OTHER ALTERNATIVES. ONE SUCH ALTERNATIVE MIGHT BE NEGOTIATION OF POTASH AGREEMENT WITH USSR, WHICH HAD ABUNDANT RAW MATERIAL AND WAS EXPANDING PRODUCTION. ROBINSON NOTED THAT UNDER US/ SOVIET GRAIN DEAL RUNNING UNTIL END OF 1981, 6 MILLION DEADWEIGHT TONS OF CAPACITY PER YEAR IS POTENTIALLY AVAILABLE IN GRAIN SHIPS RETURNING IN BALLAST TO US EAST AND GULF COAST PORTS. THERE IS A NATURAL LINKAGE IN A TWO-WAY POTASH-GRAIN ARRANGEMENT, AND PROSPECT OF DEPENDABLE SUPPLY IS GOOD SINCE SOVIETS APPEAR TO HAVE REACHED CONCLUSION THAT THEIR CAPITAL COULD BE MORE EFFECTIVELY EXPENDED IN DEVELOPING EXPORT RESOURCES LIKE POTASH WHICH COULD EARN FOREIGN EXCHANGE TO PAY FOR GRAIN IMPORTS RATHER THAN IN EXPANDING GRAIN PRODUCTION FURTHER ON THE MARGIN. UNDER THE TERMS OF THE US-USSR MARITIME AGREEMENT INCREMENTAL COST OF RETURN TRANSPORTATION TO US WOULD BE IN NEIGHBORHOOD OF 6-8 DOLLARS PER TON, AND COMPANIES COULD EXPECT NEGOTIATED FIGURE PERHAPS IN 12-15 DOLLAR RANGE. A NUMBER OF POTENTIAL PROBLEMS EXISTED, SUCH AS TRANSPORTATION TO CONVENIENT PORTS AND PRODUCTION AND HANDLING CAPACITY IN USSR, AND THESE WOULD HAVE TO BE EXPLORED, BUT IN PRINCIPLE POTASH DEAL SEEMED ENTIRELY FEASIBLE. DISCUSSIONS WITH SOVIETS COULD IN THEMSELVES STRENGTHEN COMPANY'S HAND IN DEALING WITH SASKATCHEWAN.

4. LOVE RESPONDED FAVORABLY TO SUGGESTION AND NOTED THAT ESTIMATED SHIPPING COSTS COMPARED FAVORABLY TO 29-30 DOLLARS PER TON FIGURE FOR RAIL TRANSPORTATION OF POTASH FROM NEVADA TO EAST COAST. AFTER DISCUSSING RAMIFICATIONS AT SOME LENGTH, LOVE SAID HE WOULD TRY TO MEET WITH SOVIET AMBASSADOR IN WASHINGTON HOPEFULLY JANUARY 13 TO EXPRESS COMPANY INTEREST AND SEEK SOVIET REACTION. HE SAID COMPANY WOULD KEEP DEPARTMENT INFORMED OF DEVELOPMENTS.

5. ON QUESTION OF USG PRESSURES, VINE COVERED STEPS USG
CONFIDENTIAL
CONFIDENTIAL

PAGE 03 STATE 008301

HAD ALREADY TAKEN. IDEAL APPRECIATED SENSITIVITY INVOLVED AND RECOGNIZED THAT DIRECT PRESSURE COULD BE COUNTER PRODUCTIVE. LOVE SUGGESTED TWO POSSIBLE USG MOVES:

A. TRANS CANADA GAS PIPELINE MIGHT BE USED AS ELEMENT OF PRESSURE. IT WAS POINTED OUT THAT AS NEITHER US NOR CANADA HAD TAKEN A DECISION IN FAVOR OF THE PIPELINE AND OTHER ALTERNATIVES EXISTED, SUCH AN APPROACH WOULD BE PREMATURE AND NOT LIKELY TO BE PRODUCTIVE.

B. USG MIGHT LET IT BE KNOWN TO NEW YORK FINANCE HOUSES RECENTLY APPROACHED BY PREMIER BLAKENEY FOR LOAN THAT WE WOULD NOT LOOK KINDLY ON US FINANCING FOR EXPROPRIATION OF US COMPANIES. LOVE SAID HE UNDERSTOOD SOLOMON BROTHERS AND GOLDMAN SACHS HAD PUT TOGETHER 100 MILLION DOLLAR PACKAGE TO FINANCE PROVINCIAL LOAN ROLLOVER, AND IDEAL

AND OTHER COMPANIES PLANNED TO EXPRESS THEIR OWN CONCERN TO THESE FIRMS. DEPARTMENT PRINCIPALS RESPONDED THAT WE WOULD HAVE TO LOOK AT THIS PROPOSAL WITH CONSIDERABLE CARE. USG INTERFERENCE IN PRIVATE SECTOR RESPONSIBILITIES IS A SERIOUS MOVE. MOREOVER, WHOLE QUESTION OF USG STRATEGY IS INVOLVED SINCE THIS AMOUNTS TO FRONTAL ATTACK ON PROPRIETY OF PROVINCIAL EXPROPRIATION ITSELF. WE WOULD ALSO HAVE TO CONSIDER WHETHER USG INTERVENTION WOULD BE EFFECTIVE; THERE WAS NO ASSURANCE FINANCE HOUSES WOULD CONCUR IN OR ABIDE BY US VIEWS.

6. IDEAL ALSO ASKED FOR OUR ASSESSMENT OF INTENTIONS OF CANADIAN FEDERAL GOVERNMENT. VINE REVIEWED CONSTITUTIONAL AND POLITICAL SITUATION CONSTRAINING DIRECT FEDERAL ACTION. HE NOTED, HOWEVER, THAT AS MACDONALD'S SASKATCHEWAN SPEECH INDICATED, CANADIAN GOVERNMENT DEEPLY CONCERNED AT IMPLICATIONS OF PROVINCIAL EXPROPRIATION AND WE WOULD EXPECT OTTAWA INFORMALLY AT LEAST TO BE APPLYING PRESSURES AGAINST TAKEOVER.

7. IDEAL INFORMED DEPARTMENT IT HAD UNDER EXPLORATION ADDITIONAL POTASH DEPOSITS IN NEW BRUNSWICK (ABOUT 40 MILES FROM ST. JOHN'S).ORE BED, (WHICH MIGHT PRODUCE 500,000 TONS OF PRODUCT A YEAR FOR 20 YEARS) WOULD BE CONFIDENTIAL
CONFIDENTIAL

PAGE 04 STATE 008301

DIFFICULT TO MINE AND IN CURRENT UNCERTAIN INVESTMENT ATMOSPHERE IN CANADA COMPANY WAS VERY RELUCTANT TO COMMIT ADDITIONAL INVESTMENTS. LOVE ASKED WHETHER USG INVESTMENT INSURANCE AVAILABLE, BUT WAS TOLD INSURANCE ONLY COVERED LESS-DEVELOPED COUNTRIES. DEPARTMENT SUGGESTED THAT CANADIANS AND PARTICULARLY MARITIMERS SHOULD BE MADE FULLY AWARE OF ADVERSE IMPACT OF SASKATCHEWAN ACTION ON NEW BRUNSWICK AND COMPANY AGREED. KISSINGER

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NATIONALIZATION, BUSINESS FIRMS, POTASSIUM
Control Number: n/a
Copy: SINGLE
Draft Date: 13 JAN 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE008301
Document Source: CORE
Document Unique ID: 00
Drafter: JHROUSE, JR.:CLJ
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760013-0154
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760161/aaaaccde.tel
Line Count: 159
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 12 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12 APR 2004 by ElyME>; APPROVED <13 APR 2004 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SASKATCHEWAN POTASH TAKEOVER
TAGS: EIND, EMIN, EINV, CA, UR
To: OTTAWA
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006